

## **Revenue Committee**

### **Meeting Summary**

**October 14, 1999**

Adopted (11/16/99)

**Committee members present:** Chair Skip Rowley, Vice Chair Bob Helsell, Roger Dormaier, Dave Earling, Jim Fitzgerald, Representative Ed Murray, Larry Pursley, Mike Roberts, Senator George Sellar, Commissioner Judy Wilson

**Committee members not present:** Governor Booth Gardner, Neil Peterson

The Revenue Committee convened at 8:30 am at the SeaTac Marriott Hotel. The Committee approved the August 17, 1999 meeting summary.

Public comment: No members of the public wished to address the Committee.

### **Meeting Schedule**

Chairman Rowley asked members to consider meeting date changes in December and February, to deviate from the Committee's regular third Tuesday meeting schedule. Members agreed to switch to the second Tuesday in December (Dec. 14, start time 8:00 am) and February (Feb. 8). Members were also reminded that the January meeting was a full Commission meeting on Jan. 12 and the meeting would be held in Olympia. The Revenue Committee will meet jointly with Investment Strategies that day.

### **Discussion of Revised Findings**

The committee members discussed the revised findings #50, 54, 59, 72, 74, and 75. They proposed changes to findings #50 (eliminate the word "bucket"); add new finding #54 on federal funding; move #59 to be the first revenue finding; add language to #74 to clarify ("Polling suggests"); change #75 to read ("considered more acceptable" rather than "favored"). These changes were adopted for presentation to the full Commission. (They are reflected in the October 14, 1999 version of the Commission findings.)

## Discussion of Work Plan

Chairman Rowley introduced the discussion by stating that the Steering Committee was asking that “recommendations” be referred to as “options.” Committee staff Kathy Elias outlined the next phase of the Committee’s work, which is to develop a set of options for funding. The work plan would establish a structure for developing and evaluating those options.

Committee members reviewed a list of criteria and discussed the timing of when to address new revenue. The Committee also discussed what assumptions need to be made about I-695 impacts. The consensus was to wait until after the election to decide how the result would impact the Committee’s work plan. Committee members expressed the belief that additional revenue will be needed, even taking into account efficiencies and innovative solutions.

It was noted that the recommendations of the BRCT will need an advocate following adoption and need to engage other interested groups, such as the Transportation Commission. Chairman Rowley mentioned that the Transportation Commission is represented by Connie Niva, who regularly briefs them and their staff. Project Manager Kjrystine Lund made the point that outreach, both to the public and to interest groups, is an important element of the fall strategy.

Kathy proceeded to discuss the work plan as a series of steps, organized around a timeline as well as various issue clusters, as an organizing approach to the options package. As a first screen, proposed solutions would be measured against a set of goals, as well as a list of evaluation criteria. The goals identified were simplification, flexibility, equity, stability, productivity, public understanding and support, and public expectations. There was discussion among Committee members regarding the goals. It was agreed that “adequacy” would be another goal added to the list. Evaluation criteria proposed are: Is it technically possible? Is it implementable? What is the implementation mechanism? Are there legal issues? What needs to be negotiated? Is it politically possible? In the discussion following, it was mentioned that solutions should also be sensible, that is, improve the linkage between paying for the product and seeing a result. A proposal also offered to include a criterion of “necessity.”

The second step of the work plan looks at the set of proposed solutions by cluster. The three clusters are funding structure, distribution of revenues, and revenue production and stability.

### FUNDING STRUCTURE

Under funding structure, proposed for Committee discussion, there were four categories:

- Review potential system-wide funding principles
- Review of structural issues
- Consolidation of programs
- Loosening of restrictions

**Review potential system-wide funding principles:** Under this category, there were four proposed solutions: that transportation funds for basic functions should come from dedicated

sources; that transportation should be funded like other basic capital infrastructure (utilities) by an enterprise fund; that transportation funding at all levels should not have to compete with general fund programs; and that transportation facilities should use bonding to spread payment over the life of the facility. Committee members added two other proposals: to use general funds at the state level (to systematize and establish a principle), and to consider regional needs.

**Review of structural issues:** Proposals include shifting funding focus from jurisdictions to functions; shifting funding focus to corridors and facility clusters; and shifting funding focus to user fees. Committee members added a proposal to include centralization and decentralization issues (where is the appropriate place or level for decisions to happen?) and a review of transit funding.

**Consolidation of programs:** Proposals include merging of similar federal, state, and local programs; merging of safety accounts; and merging of rail assistance accounts. A Committee member made the point that any consolidation should also improve efficiency, and suggested amending this general category to add the word “efficiency” to its title. Committee members added consolidation of maintenance programs, recognizing that it may also be a structural issue, and may overlap with the work of the Administration Committee.

**Loosening of restrictions:** There were no proposals listed under this category. Members noted that a principal frustration with restrictions is the inability to fund a project through to its completion with a single source of funding. Members added the following: a definition of preservation vs. improvement; grant program criteria; the government accounting system; matching requirements; and adding a maintenance of effort clause. A member expressed concern about the maintenance of effort clause because of its potential impact on cities that may not be able to maintain the required level of effort.

## **DISTRIBUTION OF REVENUES**

Under distribution of revenues, a review and possible revisit of distribution issues for individual sources was proposed.

**Gas tax:** Proposals recommended are improved adequacy of distribution to the state, counties, and cities; improved equity by recommending formulas based on criteria of roadway responsibility and impact; incorporating demographic factors in distribution; revising city allocation formulas to include more factors; refocusing the Special Category C program into the Large Project Fund; and amending the state constitution to make the source available to other modes. Members had no additions to this list.

**MVET:** Proposed is making the source available to all modes. Members agreed to wait until after the November election to consider this topic.

**Sales tax:** Proposed is making the source available to all modes. There were no additions.

**Property tax:** Mentioned was creating a dedicated property tax levy for city streets (requiring a constitutional amendment). Added by members were tax increment financing and a city road levy.

#### **REVENUE PRODUCTION AND STABILITY**

Under revenue production and stability, proposals included examining existing and new sources.

**Existing sources:** To the list of increased production of existing local options (e.g., vehicle license fee increase, removal of voter approval requirement for local option gas tax) was added authorizing use of unused RTA dollars.

**New sources:** Include local (e.g. county B&O or utility tax, or city B&O on gas); regional (such as a regional sales tax or a local option gas tax); state (such as sales tax on gas, new VMT charge); and competitive (e.g., a new statewide bonded pool for large projects). To this list of new fund sources was added a city road levy; regional congestion taxes and fees; and tolls. A member proposed adding a category of “any” to include tax incentive programs. Another member proposed adding a “federal” category, with the suggestion of management of all federal funds at the state level.

Committee members agreed not to prioritize the above list of options.

#### **Presentation on Federal Funding**

At the Chairman’s request, Helga Morgenstern, Assistant Secretary for Finance and Administration, WSDOT, made some remarks on federal transportation funding. She mentioned that federal gas tax dollars are collected in all the fifty states and distributed by the federal government. The current federal funds are distributed primarily under the Intermodal Surface Transportation Efficiency Act (ISTEA, as amended by TEA-21). Funds are used principally for interstate highway maintenance, bridge replacement and rehabilitation, and the preservation and continued construction of the national highway system. Ms. Morgenstern noted that most of the state routes (and thus its needs) are on the national highway system.

Project selection for federal funding is done at the local and regional level by MPOs and RTPOs. She noted a perceived preference for ‘peanut buttering’ or funding a wide range of projects, over fewer projects with greater region-wide benefits. Helga concluded by stating that the BRCT’s work has much to do with setting priorities, and noted that federal transportation funding is now flexible enough that it will not interfere with that process. She stated that the efforts would be difficult without additional funding, whether at the state, federal or other levels.

The committee adjourned at 11:30 am.